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Enclosure(s)	
Subject	BritNed response to the LPA consultation

Dear Heather,

Thank you for providing the opportunity to respond to the call for input on Ofgem's Locational Pricing Assessment first workshop. This document is a response to the subsequent call for input. It contains the response of BritNed Development Limited to the three topic areas as requested, namely:

- The key opportunities associated with introducing more granular locational pricing in GB;
- The key implementation challenges, risks and mitigations; and
- The proposed approach to modelling zonal and nodal market designs.

**The key opportunities associated with introducing more granular locational pricing in GB**

As BritNed was not represented in the workshop that was organised by Ofgem, it is difficult to assess the pros and cons of more granular pricing without seeing detailed analysis of the models. To fully understand the opportunities and risks we would need to better understand the FTI modelling.

Without understanding the zonal and nodal model, we see a risk that market design could become very complex and thereby complicates the solution for loose volume coupling with EU countries under the Trade and Cooperation Agreement (TCA).

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### **The key implementation challenges, risks and mitigations.**

A move towards a nodal market would be highly complex and requires technical, regulatory and legal changes in the GB energy market. However, the GB market does not function in isolation and has cross-border connections to the EU. BritNed notes that it is therefore key to also consider the cross-border dimensions and to involve the electricity interconnectors in this market reform.

BritNed has the following concerns when implementing a nodal market in GB:

- 1) A nodal market seems incompatible with the desired and needed increased market coupling with the other European countries that are using the bidding zone model. It would most likely lead to a less efficient usage of interconnectors mainly to address local GB constraints.
- 2) Depending on the design of nodal market, there is reason to believe that internal congestion issues will be pushed towards the borders which is not in line with the EU thinking on cross-border trade.
- 3) Specifically, a nodal market would result in an increased divergence between the GB and EU market models, thereby further complicating or even making the re-coupling of the GB and EU markets impossible. A nodal market implementation also does not seem compliant with the current TCA principles between the UK and the EU (e.g. MRLVC implementation).

### **The proposed approach to modelling zonal and nodal market designs.**

BritNed has the impression that the cross-border impacts are not sufficiently considered. Further clarification is needed on how a zonal/nodal market could get coupled with bidding zones in the Netherlands/EU and on how this impacts welfare and congestion management. BritNed would recommend sharing more detailed modelling assumptions and that market participants and interconnectors are consulted before launching this study.

Yours faithfully,

**BRITNED DEVELOPMENT LIMITED**

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For and on behalf of BritNed Development Limited